

## State Disbursing

### Policy: General Obligation Bond, Special Indebtedness and Two Thirds General Obligation Bonds, Transfers and Disbursements

**Policy Area:** State Disbursing / General Obligation Bond, Special Indebtedness and Two Thirds General Obligation Bonds Proceeds Management

**Effective Date:** March 10, 2010

**Authority:**

General Statute § 143B-426.37 provides that the State Controller shall administer the State disbursing system and General Statute § 143B-426.39(5) provides that the State Controller shall prescribe the manner in which disbursements of the State agencies shall be made.

**Policy:**

General Obligation (GO) bond proceeds must be invested by the State Treasurer and Special Indebtedness (SI) and Two Thirds General Obligation Bonds (Two Thirds GO) proceeds must be held by the Trustee until they are required for expenditure. In addition, funds derived from these three sources must be disbursed to contractors within 24 hours of receipt to prevent violation of federal arbitrage laws.

**Procedure:**

#### **Requisition for Payment Directly from General Obligation Bonds**

- Submit separate requisitions for expenditures supported by bond proceeds and for expenditures supported by receipts or refunds of expenditures. As directed by Office of State Budget and Management (OSBM), expenditures must be first from receipts from refunds of expenditures supported by bond proceeds. The expensing of refund of expenditures must occur in the next weekly bond draw to comply with current IRS Regulations.
- If receipts or refunds only cover a portion of the expenditure requirement for the week, two requisitions must be submitted. The first requisition is to exhaust the receipts and/or refunds and the second is to request the remaining balance from bond proceeds.
- Identify each requisition supported by receipts and/or refunds by inserting an R in the last position of the requisition number.
- Identify each requisition supported by bond proceeds by inserting an A in the last position of the requisition number.
- Requisitions must be submitted to OSC before 10:30 a.m. each Thursday and will be approved by OSC on Friday. If the requisition is submitted after 10:30 a.m., it will be left in a submitted status until the following Friday, when it will be approved. Also, if the requisition does not include the proper (A) or (R), it will not be approved on Friday, and it will be returned to the agency for correction.
- Agencies will need to use account 438050-Transfer from Bond Proceed Code to record in NCAS a corresponding entry for the receipt recorded in CMCS during the 13th month accrual process.
- Universities will need to use account 432994-State Aid Bond Proceeds to record in NCAS a corresponding entry for the receipt recorded in CMCS during the 13th month accrual process.
- To comply with arbitrage laws, payments to vendors/contractors must be made within 24 hours of the approval of the requisition.

#### **Transfer from a General Obligation Bond Code to an Existing Budget Code**

- Identify each transfer supported by bond proceeds by inserting an A in the first position of the transfer reference number.
- Identify each transfer supported by receipts and/or refunds by inserting an R in the first position of the transfer reference number. The expensing of refund of expenditures must occur in the next weekly bond draw to comply with current IRS Regulations.
- Transfers must be submitted to OSC before 10:30 a.m. each Thursday and will be approved by OSC on Friday. If the transfer is submitted after 10:30 a.m., it will be left in a submitted status until the following Friday, when it will be approved. Also, if the transfer does not include the proper (A) or (R), it will not be approved on Friday, and it will be returned to the agency for correction.

- Transfers from a GO bond budget code to an existing budget code do not comply with arbitrage laws. Payments to vendors/contractors must be made within 24 hours of the approval of the transfer.

**Requisition for Payment Directly from Special Indebtedness Budget Codes or Two Thirds General Obligation Bonds Budget Codes**

- Requisitions must be submitted to OSC before 10:30 a.m. on the date of the established scheduled draw, and will be approved by OSC that day depending on receipt of funds from the trustee. If the requisition is submitted after 10:30 a.m., it will be left in a submitted status and processed the next business day.
- A journal entry will be prepared and entered by OSC to record the receipt of the SI or Two Thirds GO Bonds proceeds to the individual agency/university budget codes. The posting of this can be viewed on CMCS screen AK07.
- OSC will notify the agency/university of the CMCS receipt via e-mail.
- Agencies will need to use account 438051-Transfer Special indebtedness or 438053-Transfer Two Thirds GO Bond to record in NCAS a corresponding entry for the receipt recorded in CMCS.
- Universities will need to use account 432993-State Aid Special Indebtedness or 432901-State Aid Two Thirds GO Bond to record in NCAS a corresponding entry for the receipt recorded in CMCS.
- To comply with arbitrage laws, payments to vendors/contractors must be made within 24 hours of the approval of the requisition.
- The handling of refunds of expenditures for SI and Two Thirds GO Bonds must be processed in accordance with procedures issued by OSBM.

**Transfer from a Special Indebtedness Budget Code or Two Thirds General Obligation Bonds Budget Code to an Existing Budget Code**

- Transfers must be submitted to OSC before 10:30 a.m. on the date of the established scheduled draw, and will be approved by OSC on that day depending on receipt of funds from the trustee. If the transfer is submitted after 10:30 a.m., it will be left in a submitted status and processed the next business day.
- OSC will notify the agency/university of the CMCS receipt by e-mail.
- Transfers from a SI budget code or Two Thirds GO Bonds budget code to an existing budget code do not comply with arbitrage laws. Payments to vendors/contractors must be made within 24 hours of the approval of the transfer.
- The handling of refund of expenditures for SI and Two Thirds GO Bonds must be processed in accordance with procedures issued by OSBM.